



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 26, 2005

H.R. 3672 **TANF Emergency Response and Recovery Act of 2005**

*As cleared by the Congress on September 15, 2005, and signed by the President
on September 21, 2005*

SUMMARY

H.R. 3672, enacted as Public Law 109-68, extends the Temporary Assistance for Needy Families (TANF) and child care entitlement programs through December 31, 2005, makes those funds available to states immediately, and provides additional funds to states that were damaged by Hurricane Katrina or that are hosting evacuees from the hurricane.

In extending the TANF and child care entitlement programs for three months, this act provides a total of \$6 billion in additional funding for those programs. However, CBO already assumes that level of funding in its baseline, as required by section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, the extension of those programs—with the exception of TANF supplemental grants—has no cost relative to the baseline.

CBO estimates that H.R. 3672 will increase direct spending, relative to the baseline, by an insignificant amount in 2005, \$350 million in 2006, and \$396 million over the 2006-2010 period. H.R. 3672 designates that amounts provided by the act, other than by section 2 (the extension of the TANF program), are an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress). The amounts designated as emergency funding total \$245 million in 2006 and \$294 million over the 2006-2010 period. The designation is significant for the purpose of enforcement under the Congressional Budget Act. The act will not affect federal revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3672, relative to the baseline, is shown in the following table. (Changes to current law that are already assumed in the baseline are included as “memorandum” entries in the table.) The changes in direct spending, which total an estimated \$396 million over the 2006-2015 period, fall within budget function 600 (income security).

ESTIMATED EFFECTS OF H.R. 3672 ON DIRECT SPENDING (By fiscal year, in millions of dollars)

	2005	2006	2007	2008	2009	2010	2005- 2010
CHANGES IN DIRECT SPENDING							
Extend TANF Supplemental Grants							
Estimated Budget Authority	0	96	0	0	0	0	96
Estimated Outlays	0	79	15	2	0	0	96
Extend Increased Transfer Authority to SSBG							
Budget Authority	0	0	0	0	0	0	0
Estimated Outlays	0	26	-16	-9	-1	0	0
Extend TANF Research Funding							
Estimated Budget Authority	0	4	0	0	0	0	4
Estimated Outlays	0	*	2	2	0	0	4
Extend Child Welfare Research Funding							
Estimated Budget Authority	0	2	0	0	0	0	2
Estimated Outlays	0	*	1	1	0	0	2
Make First Quarter 2006 TANF Grants Available in 2005							
Estimated Budget Authority	5,067	-5,067	0	0	0	0	0
Estimated Outlays	0	0	0	0	0	0	0
Reimburse States for TANF Benefits Paid to Evacuees ^a							
Estimated Budget Authority	25	200	0	0	0	0	225
Estimated Outlays	*	185	35	5	0	0	225
Provide Additional TANF Funds for Certain States ^a							
Estimated Budget Authority	69	0	0	0	0	0	69
Estimated Outlays	*	60	9	0	0	0	69
Total							
Estimated Budget Authority	5,161	-4,765	0	0	0	0	396
Estimated Outlays	0	350	46	1	-1	0	396

Memorandum: Changes in Direct Spending from Program Extensions in H.R. 3672 That Are Already Assumed in CBO's Baseline.

TANF							
Budget Authority	0	4,971	0	0	0	0	4,971
Estimated Outlays	0	4,474	497	0	0	0	4,971
Child Care							
Budget Authority	0	991	0	0	0	0	991
Estimated Outlays	0	793	188	10	0	0	991

NOTES: TANF = Temporary Assistance for Needy Families; SSBG = Social Services Block Grant.

* = costs or savings of less than \$500,000.

a. The bill designates the amount provided for these provisions as an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress).

BASIS OF ESTIMATE

Extension of TANF and Child Care Programs

H.R. 3672 extends the TANF and child care entitlement programs through December 31, 2005. Those programs were scheduled to expire on September 30, 2005. The extension provides funding for one quarter of the year at the 2005 level—totaling \$5 billion for TANF and \$1 billion for child care under the procedures the Office of Management and Budget uses for allocating funds for these programs. The extension has no cost relative to CBO's baseline, which already assumes annual funding for those programs at the 2005 level in accordance with the rules set forth in the Deficit Control Act.

H.R. 3672 also funds TANF supplemental grants at their 2005 level through December 31, 2005. The additional funding will total \$96 million. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations are eligible for the supplemental grants. Prior law specified that supplemental grants should not be assumed to continue in baseline projections after September 30, 2005, overriding the continuation rules in the Deficit Control Act. CBO estimates that states will spend \$79 million in additional supplemental grants in 2006 and the remainder in 2007 and 2008.

The act also allows states to continue to transfer up to 10 percent of TANF funds to the Social Services Block Grant (SSBG) during the first quarter of 2006. That percentage was assumed to fall to 4.25 percent for 2006 and subsequent years.

Maintaining the transfer authority at the higher level makes it easier for states to spend their TANF grants and will accelerate spending relative to baseline. Based on recent state transfers, CBO expects that states will transfer an additional \$125 million in the first quarter of fiscal year 2006 under the provision; because some of this money would have been spent within the TANF program anyway, CBO estimates that only \$26 million of additional spending will occur in 2006. This increased spending will be entirely offset by lower spending in later years.

The act also extends funding for two research grants totaling \$6 million through December 31, 2005. CBO estimates that the extension will increase spending by an insignificant amount in 2006 and by \$6 million over the 2007-2008 period.

Advance Payment of TANF Grants

Section 2 directs the Secretary of Health and Human Services to make TANF grants for the first quarter of 2006 available to states as soon as practicable after the date of enactment of the act. The provision will shift budget authority for first quarter 2006 TANF grants, totaling \$5.1 billion, from fiscal year 2006 to fiscal year 2005. Because the funds are not available until the very end of fiscal year 2005, CBO does not expect the shift in funding will have a significant effect on state spending in 2005 or 2006.

Reimbursement of States for TANF Benefits Paid to Evacuees

Section 3 allows states that are hosting evacuees from states affected by Hurricane Katrina to receive federal reimbursement for short-term, nonrecurring cash benefits provided to those evacuees. It provides the reimbursement through the Contingency Fund for State Welfare Programs. Under that program, monthly funding for a state is capped at 1/12 of 20 percent of the state's family assistance grant. The act allows states to draw funds for a total of 12 months—September 2005 through August 2006. It also waives the requirement that states meet a higher maintenance-of-effort requirement or provide matching funds in order to access the Contingency Fund for these purposes.

Based on FEMA reports and newspaper accounts on the number evacuees, CBO estimates that about one-half a million people are displaced and living in a different state. Because of the nature of the crisis and the 100 percent federal financing provided, CBO expects that participation in the program will be significantly higher than participation in the regular TANF program and that average benefits will be more generous. We expect states will draw down \$225 million to provide cash benefits to evacuee families; section 8 of the act designates those amounts as an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress).

Additional TANF Funds to Certain States

Section 4 provides funds totaling up to \$69 million to Louisiana, Mississippi, and Alabama. The funding takes the form of loans to the states; however, the states are not required to make any interest payments or to repay the loans. The loan limit is set at 20 percent of each state's family assistance grant for 2006. CBO estimates that the states will spend an insignificant amount in 2005 and \$69 million over the 2006-2007 period. Section 8 of the act designates those amounts as an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress).

ESTIMATE PREPARED BY: Sheila Dacey

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis